Government of Alberta ■

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GAS ROYALTY OPERATIONS INFORMATION BULLETIN July 2011

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

A. PRICING RATES AND TRANSPORTATION INFORMATION

For Pricing, Royalty Rates and Transportation Information for May 2011, refer to Attachments 1, 1A, 2, 2A and 3. These attachments are also available in Excel Format.

B. NOTICES

Alberta Natural Gas Royalty Guidelines - 2009 Edition

The latest edition of the Alberta Natural Gas Royalty Guidelines (2009) is currently under final review and is scheduled to be released to industry in the fall of 2011.

The department updates the Alberta Natural Gas Royalty Guidelines when there is a major change in relevant policy or legislation, and regularly to incorporate information published in Information Letters and Information Bulletins. Some major changes included in this Guideline release are the Alberta Royalty Framework and Competitiveness Review changes, specifically dealing with royalty rate components and formulas, royalty reductions and gas cost allowance.

The 2009 edition is effective for January 2009 production periods forward. The 2006 edition is still applicable for periods prior to January 2009.

The Guidelines may be printed from the department's Internet site located at: www.energy.gov.ab.ca

If you have any questions, please contact Penny White at (780) 422-8083.

C. MONTHLY INFORMATION

May 2011 Royalty Due August 31

- **Royalty clients are to remit the total amount payable shown on the August 2011 Statement of Account by August 31, 2011.** If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.

- **The August 2011 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your May 2011 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**

- Current period interest will not be charged on current invoice charges for the production month of May 2011 if it is paid in full by August 31, 2011.
- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

  Note: If the due date falls on a non-business day, the next business day will apply as the due date.

- Cheques are payable to the Minister of Finance, Province of Alberta.

June 2011 VA4 Due August 15

The VA4 forms for the production month of June 2011 are due in the department offices by August 15, 2011.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Registry Deadline Submissions

The Registry deadline submissions for SAF, OAF, and Volumetrics are posted in the Petroleum Registry of Alberta website "Reporting Calendars" under Calendars. Changes to this calendar will be posted on the Registry website home page in "Broadcast Messages."

Interest Rate July 2011

Alberta Energy's interest rate for July is 4.00%.

April Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the April 2011 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments	Net Provisional Assessment
$1,023,781.23	($4,450,998.87)	($3,427,217.64)

April Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the April 2011 billing period:

Form	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2011/04
AC2	$47,700.00	($2,100.00)	$45,600.00
AC4	$0	($800.00)	($800.00)
AC5	$7,500.00	$0	$7,500.00
NGL1	$0	$0	$0
VA2	$0	$0	$0
VA3	$0	$0	$0
VA4	$1,100.00	$0	$1,100.00
Total	**$56,300.00**	**($2,900.00)**	**$53,400.00**

Gas Royalty Operations Support

Upon request, Gas Royalty Operations staff will be available to meet with clients who need assistance with royalty reporting. Royalty clients requiring assistance are encouraged to contact your respective Volumetric and Cost Reporting portfolio representative, as identified in Section F of this bulletin, to arrange a meeting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via the PRA on July 4, 2011. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the new royalty formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through the PRA to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates. This report is also published daily on the Petroleum Registry website at:

http://www.petroleumregistry.gov.ab.ca

The department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry at 780-422-1395, if you have any questions regarding the information supplied on this listing.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at 780-422-1395.

Multiple Gas Valuation Prices

Royalty information related to the determination of the Meter Station Factors to adjust transportation for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

E. REMINDERS

2011 Capital Cost, Operating Cost and Custom Processing Fee Allowances

For the January through March 2011 billing period invoices, royalty clients received estimated monthly cost deductions that were based on actual allowable costs for the 2009 production year, multiplied by their estimated Facility Effective Royalty Rates (FERR), divided by 12 (months).

The information in the 2010 AC2, AC3, and AC5 documents were used to calculate the 2010 actual capital cost, operating cost and custom processing fee allowances. The calculations are reflected in the April 2011 Initial Annual Billing Period (IABP) invoice, issued in June 2011.

The 2010 actual allowable costs will become the royalty client's 2011 allowable cost estimates.

Commencing with the April 2011 billing period, royalty clients will receive monthly deductions based on their 2011 allowable cost estimates, multiplied by their new FERR, minus the total deductions received in the January through March 2011 billing period invoices, divided by the number of months remaining in the year (e.g. 9 months as of the April billing period).

If a royalty client requires a change to the 2011 go-forward allowable cost estimates and/or the FERR, a written request with supporting documentation must be submitted to the Gas Royalty Volumetric and Cost Reporting team (see Chapter 6, Section 1 of the Guidelines). These estimates must be calculated and submitted at a client/facility level.

Royalty Deposit Adjustment

The annual royalty deposit adjustment is calculated as 1/6th of the client's previous year's royalty multiplied by a factor. The factor of 1.40 is calculated by dividing the current year's long term gas price for 2011 of $5.00 by the average 2010 Alberta reference price of $3.57. The adjustment was processed in the Initial Annual Billing Period (IABP), June 2011 calendar month (April 2011 billing period invoice).

If you have any questions, please contact Penny White at 780-422-8083.

Royalty Adjustment Program/New Well Royalty Rates Prefix Table

The New Well Royalty Rates from the Competitiveness Review will be fully implemented in the June 2011 production period. The following table has been created to help you understand how a stream transitions from one rate to the other on the Crown Royalty Detail Calculation and Condensate Royalty Calculation Detail Report. If a prefix appears next to a royalty rate, the new well royalty rate is applied (e.g. New Well

Royalty Rate, Coalbed Methane, Shale Gas, Horizontal Gas or Horizontal Oil). If a prefix appears next to an exemption amount ($), the royalty adjustment program is applied (e.g. DGRHP, NGDDP or New Well Royalty Reduction).

For those clients who receive the Comma Separated Values (CSV) format of the Crown Royalty Detail Calculation or Condensate Royalty Calculation Detail report, the corresponding changes will be applied to the Royalty Adjustment Program/New Well Royalty Rate Type column, previously called Royalty Adjustment Program. If you have any questions, please contact Joyce Chen at 780-427-1550 or email gasroyaltyprograms@gov.ab.ca.

D – Deep Gas Royalty Holiday Program (DGRHP)
N – Natural Gas Deep Drilling Program (NGDDP)
R – New Well Royalty Reduction/Rate (NWRR)
C - Coalbed Methane New Well Royalty Rate (CMNWRR)
S - Shale Gas New Well Royalty Rate (SGNWRR)
G - Horizontal Gas New Well Royalty Rate (HGNWRR)
O - Horizontal Oil New Well Royalty Rate (HONWRR)

F. POINTS OF CONTACT

Petroleum Registry of Alberta

The Petroleum Registry of Alberta Service Desk is the focal point for communications with the Registry regarding preparations for, access to, or utilization of the Registry.
To contact the Petroleum Registry of Alberta Service Desk:
Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: petroleumregistry.energy@gov.ab.ca

Alberta Energy Internet

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet address: www.energy.alberta.ca, from "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Volumetric & Cost Reporting

Volumetric & Cost Reporting is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of three teams. Listed below is the portfolio breakdown along with the Volumetric & Cost Reporting Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.

Example: If your company name is the "Gas Company" you would call the C – G team at 780-644-1202.

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B H-P	780-644-1201 VCR1@gov.ab.ca	Mary Spearing
C – G	780-644-1202 VCR2@gov.ab.ca	Lily Hiew
Q – Z	780-644-1203 VCR3@gov.ab.ca	Jyoti Bhambhani

Gas Royalty Reception: 780-422-8727
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.
In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the "Supra" business associate, or Royalty payer. Below are some guidelines for clients who are unsure which Client Services Team to call regarding their questions.

1. **Amalgamation/consolidation** - Call the team responsible for the "Supra" business associate (Royalty Payer).
   i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Client Services regarding business for ABC Oil and Gas, you would call Team 3 (Q-Z) (780-644-1203) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
   i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Client Services regarding business for 123 Gas, you would call Team 1 (# Co., A, B, & H-P) (780-644-1201) because you have only purchased assets.

3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.
   i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 1 (# Co., A, B, & H-P) (780-644-1201) to discuss Olive Oil and Gas business. At the time the

contract is signed, Paul Snow would have had each company notify the appropriate team that he was authorized to access information for their company.

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400

Deen Khan
Director, Gas Royalty Operations
Royalty Operations

Attachments

2011 GAS AND ISC PRICES

MONTH	Gas Reference Price ($/GJ)	Methane ISC Reference Price ($/GJ)	Methane ISC Par Price ($/GJ)	Ethane ISC Reference Price ($/GJ)	Propane ISC Reference Price ($/GJ)	Butane ISC Reference Price ($/GJ)	Pentanes plus ISC Reference Price ($/GJ)
JAN	3.49	3.49	3.49	3.50	3.73	3.69	3.72
FEB	3.40	3.40	3.40	3.40	3.40	3.40	3.40
MAR	3.19	3.19	3.19	3.19	3.19	3.19	3.19
APR	3.30	3.30	3.30	3.30	3.30	3.30	3.30
MAY	3.39	3.39	3.39	3.39	3.39	3.39	3.39
JUN							
JUL							
AUG							
SEPT							
OCT							
NOV							
DEC							

DETAIL OF THE MAY 2011 GAS AND ISC REFERENCE PRICES						
	Gas	Methane	C2-IC	C3-IC	C4-IC	C5-IC
NOVA Inventory Transfer (NIT) Purchase Price- Alberta Market Price (AMP) from NGX	3.583	3.583	3.583	3.583	3.583	3.583
Deductions: Intra – Alberta Transportation	-0.160	-0.160	-0.160	-0.160	-0.160	-0.160
Price Before Pipeline Factor	3.423	3.423	3.423	3.423	3.423	3.423
Pipeline Fuel/Loss Factor	0.992	0.992	0.992	0.992	0.992	0.992
Price before Special Adjustment	3.395	3.395	3.395	3.395	3.395	3.395
Special Adjustment	0.000	0.000	0.000	0.000	0.000	0.000
Calculated RP (Price Before Amendment Limitation or Rounding)	3.395	3.395	3.395	3.395	3.395	3.395
Amendments: Brought forward (from previous RP mont	0.000	0.000	0.000	0.000	0.000	0.000
Prior Period Amendment Adjustment (current RP month	0.000	0.000	0.000	0.000	0.000	0.000
Calculated RP after Amendments	3.395	3.395	3.395	3.395	3.395	3.395
Reference Price	**3.39**	**3.39**	**3.39**	**3.39**	**3.39**	**3.39**
Difference carried forward to next RP month (rounding difference not carried forward)	0.000	0.000	0.000	0.000	0.000	0.000
Adjusted Intra-Alberta Transportation Deduction		0.158	0.158	0.158	0.158	0.158

2011
NATURAL GAS LIQUIDS PRICES

MONTH	Ethane Reference Price ($/GJ)	Ethane Par Price ($/GJ)	Propane Reference Price ($/m3)	Propane Floor Price ($/m3)	Butane Reference Price ($/m3)	Butane Floor Price ($/m3)	Pentanes plus Reference Price ($/m3)	Pentanes plus Par Price ($/m3)	Sulphur Default Price ($ per tonne)
JAN	3.50	3.50	328.53	258.55	476.27	333.43	572.45	556.08	71.15
FEB	3.40	3.40	290.08	255.74	480.89	349.40	580.22	565.91	84.27
MAR	3.19	3.19	320.31	261.41	540.67	348.30	672.36	678.03	84.41
APR	3.30	3.30	325.22	260.22	517.42	360.82	741.56	730.13	91.83
MAY	3.39	3.39	343.92	280.67	494.36	356.71	646.15	615.44	109.07
JUN									
JUL									
AUG									
SEPT									
OCT									
NOV									
DEC									

ANNUAL SULPHUR DEFAULT PRICE

2006	2007	2008	2009	2010
$18.89	$32.88	$297.39	$5.89	$42.18

2011

NGL TRANSPORTATION ALLOWANCE AND DEDUCTIONS

MONTH	PENTANES PLUS (a)				PROPANE AND BUTANE (b)				PENTANES PLUS, PROPANE & BUTANE (c)				FRAC. ALLOW.
	REGION				REGION				REGION				
	1	2	3	4	1	2	3	4	1	2	3	4	(per m3)
JAN	7.57	22.12	22.71	22.15	33.18	15.55	25.64	29.62	35.43	58.58	60.03	34.21	18.25
FEB	9.82	20.74	4.74	23.14	1.62	-6.61	-351.59	71.43	52.73	35.31	58.66	37.18	18.25
MAR	-30.72	12.38	-5.95	19.89	53.49	38.31	2.55	46.74	65.62	60.23	59.49	58.68	18.25
APR	-4.33	38.66	2.95	22.03	23.57	16.66	20.58	20.59	25.86	29.34	43.76	17.81	18.25
MAY	13.95	53.40	30.03	39.48	23.92	9.71	17.84	18.69	31.40	34.71	47.84	23.03	18.25
JUN													
JUL													
AUG													
SEPT													
OCT													
NOV													
DEC													

(a) Pentanes Plus obtained as a specification gas product,
(b) Propane and Butane obtained as specification products, and
(c) Pentanes Plus, Propane and Butane contained in a natural gas liquids mix.

Note: For details on "Prior Period Amendment Effects", see Attachment 2A.

PRIOR PERIOD AMENDMENT EFFECTS												
NGL REFERENCE PRICES	MAY 2011											
	Propane		*Butanes*		*Pentanes*							
Price before amendments	343.923529		494.360297		646.119896							
Opening Rollover (from prior business mth)	0.001353		0.002474		0.003564							
Prior Period Amendment Adj. (NGL-100)	0.000000		0.000000		0.024221							
Published Reference Price	**343.92**		**494.36**		**646.15**							
TRANSPORTATION ALLOWANCES	MAY 2011											
	Pentanes Plus				Propane and Butane				Pentanes Plus, Propane & Butane			
AMENDMENTS	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4
Opening Rollover (from prior business mth)	-0.000850	0.003475	0.001775	0.003028	-0.000363	-0.003653	0.002418	-0.001850	0.003008	-0.001734	-0.001123	-0.003586
Prior Period Amendment Adj. (NGL-100)	7.074518	10.957247	-0.100944	0.024221	-3.056538	-6.174384	-4.355362	-3.497443	-0.015417	-0.213130	0.006775	0.506728
Total Amendment Effect	7.073668	10.960722	-0.099169	0.027249	-3.056901	-6.178037	-4.352944	-3.499293	-0.012409	-0.214864	0.005652	0.503142
Calculated Transp. Differential	6.873786	42.441539	30.124369	39.455432	26.981017	15.887220	22.192346	22.192346	31.416322	34.924116	47.836230	22.530753
Calculated Transp. Differential after Total Amendments	13.947454	53.402261	30.025200	39.482681	23.924116	9.709183	17.839402	18.693053	31.403913	34.709252	47.841882	23.033895
Published Transportation Allowance	**13.95**	**53.40**	**30.03**	**39.48**	**23.92**	**9.71**	**17.84**	**18.69**	**31.40**	**34.71**	**47.84**	**23.03**

Effective January 2011 production period, the royalty rates for methane and ethane are calculated based on a modified royalty formula. The Alberta Royalty Framework Natural Gas Formulas effective the production years 2011, 2010 and 2009 and for Transition, are available on the Alberta Energy
Internet address: http://www.energy.alberta.ca

From the home page, select the Alberta Royalty Framework tab to navigate to select the appropriate formula.